



BEFORE THE ARIZONA CORPORATION COMMISSION

COMMISSIONERS

ROBERT "BOB" BURNS, Chairman
BOYD DUNN, Commissioner
SANDRA D. KENNEDY, Commissioner
JUSTIN OLSON, Commissioner
LEA MARQUEZ PETERSON, Commissioner

IN THE MATTER OF COMMISSION
INQUIRY INTO UTILITY PREPAREDNESS
PLANS TO ENSURE SAFE AND RELIABLE
OPERATIONS DURING COVID-19

Docket No. AU-00000A-20-0050

IN THE MATTER OF ARIZONA PUBLIC
SERVICE COMPANY'S APPLICATION FOR
APPROVAL OF COVID-19 EMERGENCY
RELIEF PACKAGE FOR APS
CUSTOMERS EXPERIENCING FINANCIAL
HARDSHIP DUE TO COVID-19 PANDEMIC

Docket No. E-01345A-20-0080

**Joint Comments in Response to Arizona Public Service (APS) COVID-19
Emergency and Temporary Customer Relief Package**

On behalf of the Arizona PIRG Education Fund, the Building Performance Association, and the Southwest Energy Efficiency Project, we would like to offer our joint comments relating to Arizona Public Service's (APS) proposal for an emergency and temporary customer relief package relating to the COVID-19 pandemic.¹ While it's imperative to act quickly to provide assistance to customers impacted by the pandemic, we respectfully request that you require APS to provide additional information, such as by responding to the questions we raise in this letter, before you vote on this item on May 5. In addition, we ask the Commission to also move quickly to approve the APS 2020 DSM Plan to provide customers with additional opportunities

¹APS proposal for a COVID-19 Emergency Relief Package for customers,
<https://docket.images.azcc.gov/E000005986.pdf>

to reduce their bills through energy efficiency.

Background

The COVID-19 pandemic is a public health and economic crisis unlike any we have ever seen. Unfortunately, the extent of this crisis is still not fully understood and we do not know how bad it will become or how long it will last. However, we do know that since March 15, Arizona has processed 417,962 claims for unemployment, which represents 8.7% of the total workforce of Arizona that is eligible for the unemployment insurance program.² We also know that municipalities across Arizona are facing budget shortfalls due to declines in tax revenues.³ The effects of COVID-19 are intensifying the already lived experiences of poor health, hunger, isolation and the threat of homelessness for those most vulnerable in our society and other Arizonans are also experiencing the impact. Now more than ever, it is important that the Commission adopt permanent solutions to assist ratepayers with economic recovery.

Currently, APS has \$39 million⁴ in ratepayer money that has been collected through the Demand Side Management Adjustor Clause (DSMAC) but remains unspent. APS proposes to fund its COVID-19 relief package with \$16 million from this pot of money. To understand the current over-collection of DSM funds through the DSMAC, it is helpful to review some recent history of the DSMAC.

- 1) In 2017, the Commission approved a DSM budget of \$66.6 million⁵ of which approximately \$47 million is collected through the DSMAC and an additional \$20 million is collected through base rates⁶ as part of the 2017 APS Rate Case Settlement Agreement, Decision No. 76295. **No new budget or DSM plan has not been approved since 2017.**
- 2) In 2017, APS achieved 1.64% energy savings as a percent of retail sales with an annual spend of \$65 million⁷ out of the \$66.6 million.⁸
- 3) In 2018, APS achieved 0.85% energy savings as a percent of retail sales with an annual spend of \$31.0 million out of the \$66.6 million originally approved in 2017.

² "Unemployment numbers in Arizona showed steep rise due to COVID-19 crisis," https://www.azfamily.com/news/continuing_coverage/coronavirus_coverage/unemployment-numbers-in-arizona-showed-steep-rise-due-to-covid-19-crisis/article_facdcd9a-7a95-11ea-a4b0-7bcd3017f9ed.html

³ "We really need to be prepared for the worst": How metro Phoenix cities are responding to coronavirus, <https://www.azcentral.com/story/news/local/arizona/2020/03/24/arizona-cities-expect-coronavirus-hit-budgets-delay-big-projects/2880308001/>

⁴ Page 9 of APS's COVID-19 Emergency Relief Package, <https://docket.images.azcc.gov/E000005986.pdf>

⁵ APS has not had a DSM plan approved since 2017. The ACC approved budget reflects that amount. <https://docket.images.azcc.gov/0000182248.pdf>

⁶ The ACC increased the portion of DSM funding in base rate collections from \$10 million to \$20 million in Decision No. 76295, Exhibit A, Section VIII, Appendix D as a result of 2017 APS Rate Case Settlement Agreement, <https://docket.images.azcc.gov/0000182160.pdf>

⁷ APS 2017 Annual DSM report, <https://docket.images.azcc.gov/0000186159.pdf>

⁸ <https://docket.images.azcc.gov/0000182248.pdf>

- 4) In 2019, APS achieved 0.6%⁹ energy savings as a percent of retail sales with an annual spend of \$33 million¹⁰ out of the \$66.6 million originally approved in 2017.
- 5) On December 30th, 2019, APS submitted its 2020 DSM Plan,¹¹ which proposed a \$50 million budget that would utilize \$20 million in base rates combined with the nearly \$32 million already collected from the DSMAC, resetting the DSMAC to zero moving forward.

As shown above, APS has significantly cut back on investments in energy efficiency in recent years. At the same time, the Commission has not acted on an APS DSM Plan since 2017. Together these two actions have led to a significant underspending of approved funding for DSM programs.

Questions on the APS Proposed Emergency Customer Relief Package

While we recognize the importance of acting swiftly to provide immediate relief to ratepayers, the APS filing is incomplete in a number of ways. First, the Company does not present any analysis of other potential sources of funding it considered before proposing to utilize the DSMAC to fund COVID-19 relief. Second, the APS relief package proposal is missing important details about how the Company plans to market, track, and evaluate the availability of funds and determine customer eligibility. **We ask the Commission to require APS to provide answers to the following questions by COB April 28.** The answers to these questions will provide the Commission, as well as Staff, stakeholders, and concerned ratepayers with important information so that you can make an informed decision on this important matter.

1. What other options were explored to provide financial relief to customers?
2. Was the option of using a portion of DSM funds to leverage zero percent or low-interest energy efficiency financing considered for all ratepayers who may need to make HVAC purchases during this time of uncertainty?
3. In what categories is APS experiencing net cost savings (e.g. fuel, operating) as a result of COVID-19? Per category, what are the estimated net cost savings through August 2020?
4. Does APS anticipate revenue shortfalls as result of COVID-19 and if so, for what net amount per category through August 2020?
5. Does APS anticipate coming back to the Commission with a request to provide additional funds for COVID-19 relief? If so, what will determine the need for additional funds and what do you anticipate will be the source of those funds?
6. How does APS plan to track any expenditures made with relief funds?
7. How does APS plan to evaluate the use of relief funds?
8. How does APS plan to let ratepayers know about the availability of relief funds?
9. How does APS plan to determine which ratepayers are eligible to receive financial assistance?

⁹ Please note that SWEET provided this number as a preliminary estimate as SWEET didn't have sales data when this was calculated, so SWEET used 2018 sales as a proxy.

¹⁰ APS 2019 Annual DSM Report, <https://docket.images.azcc.gov/E000005121.pdf>

¹¹ APS 2020 DSM Plan proposal, <https://docket.images.azcc.gov/E000004276.pdf>

10. Will APS commit to providing a monthly update on relief support to this docket?

The Role of Energy Efficiency in Economic Recovery

Energy efficiency has a vital role to play when it comes to the economic recovery of Arizona after the worst of the COVID-19 pandemic has passed. The unspent DSM funds that have been collected from customers can not only assist in reducing the compounding effects of poverty, but also stimulating economic recovery during times of recession and uncertainty by supporting existing jobs,¹² creating new ones, and boosting jobs in labor-intensive sectors that are key for Arizona's economy,¹³ such as construction and home renovation. More than 44,000 locally-sourced jobs in Arizona are in the energy efficiency industry.¹⁴ 23,000 of those jobs are in Heating, Ventilation, Air Conditioning (HVAC) services alone.¹⁵ 59% of these jobs come from small businesses that employ 1 to 5 employees.¹⁶ However, as a result of the COVID-19 pandemic 1,050 Arizonans working in clean energy lost their jobs in March 2020, with significantly larger impacts still expected.¹⁷

Governor Ducey recognized the critical role of energy efficiency in his March 23rd Executive Order detailing Building, Construction, and HVAC as essential services.¹⁸

In addition to supporting tens of thousands of jobs, energy efficiency can also provide lasting and permanent bill savings to customers by reducing energy usage through upgrades to buildings and appliances. These savings will persist long after the COVID-19 crisis is behind us, helping customers emerge from this time in a stronger financial position. Expanding energy efficiency programs and helping Arizona's households lower their utility bills is especially important at a time when more people are staying home and/or working from home, and incomes are reduced as a result of the COVID-19 pandemic.

Given the benefits of energy efficiency programs, we believe now is the time to further employ energy efficiency programs to provide benefits to a greater number of customers.

Emergency COVID-19 Customer Relief Package Recommendations

DSM has consistently provided financial relief to ratepayers, and the relief is a long-lasting solution, not a temporary fix. Now is the time to increase, not decrease, investments in energy efficiency programs for ratepayers. Therefore we request the Commission explore other sources of funding before utilizing DSM funds that could be better spent on energy efficiency programs that reduce customer bills. In addition, we make the

¹² <https://www.iea.org/articles/energy-efficiency-and-economic-stimulus>

¹³ Year-over-year, the construction industry added 14,800 jobs, or about 10.2%, which is tops in the nation based on percentage increase. According to non-seasonally adjusted data, 161,300 work in the construction industry in Arizona as of June 2018. <https://roc.az.gov/newsarticle/arizona-leads-nation-nevada-not-far-behind-adding-construction-jobs>

¹⁴ "Arizona: Energy Efficiency Jobs in America," <https://e2.org/wp-content/uploads/2020/04/E2-Clean-Jobs-America-2020.pdf>

¹⁵ Ibid.

¹⁶ Ibid.

¹⁷ <https://e2.org/wp-content/uploads/2020/04/Clean-Energy-Jobs-Initial-COVID-19-Memo-Final.pdf>

¹⁸ <https://azgovernor.gov/governor/news/2020/03/list-essential-services>

following recommendations on the COVID-19 relief package for the Commission's consideration.

- 1) The \$1 million allocated to the "*Reserve Fund for General Service Supports*" should be either removed from the budget or used immediately for customer relief.
- 2) The Company currently has no budget set aside for marketing the "*Small Business Hold Program*." We are concerned that this program is only available as-requested by the customer, yet there are no additional dollars set aside for education and outreach. We suggest to either include funds for a proper rollout of the program or not offer this part of the program at all.
- 3) The Company's alternative proposal to return \$36 million in collected but unspent DSMAC funds to all APS customers should be rejected. The funds originally collected from the DSMAC were to be spent on DSM programs that would help customers to lower their bills, improve the buildings in which they work and live, as well as reduce energy waste. These funds are even more important for ratepayers now.
- 4) APS should be required to file a revised and strengthened 2020 DSM Plan within 30 days of a decision regarding the COVID-19 relief package, or before the subsequent Open Meeting (whichever comes first) to address the impacts of COVID-19 and ensure that any changes to the DSMAC required as a result of this proceeding are reflected in the Plan.
- 5) We request that the Commission vote on the revised APS 2020 DSM Plan at the June 2020 Open Meeting. It is our sincere hope that the input APS receives from advocates through the DSM Collaborative is incorporated into its revised plan.

Amended 2020 DSM Plan Recommendations

Now more than ever, energy efficiency can help customers who are struggling to pay their electric bills. With social distancing being the proper response to the COVID-19 pandemic, there is a unique opportunity to expand energy efficiency offerings that help customers and support the local economy. **That is why we urge the Commission to prioritize approval of APS's proposed 2020 DSM Plan, after APS makes revisions as suggested below.**

The currently proposed APS 2020 DSM Plan restores a number of programs, including weatherization for low-income households and opportunities for multi-family residences.

To provide added relief to customers, including those not previously struggling, there are opportunities to offer enhanced programs that respond to how energy efficiency projects can be deployed during this pandemic. We ask the Commission to request that APS add the following in their revised plan:

1. New delivery models that can be used in this time of social distancing, such as remote energy assessments, virtual inspections of installed measures, increased emphasis on do-it-yourself (DIY) retrofits, and use of on-line stores and incentives for energy efficiency measures. These program strategies can provide ratepayers with options to save money and keep employees in the energy efficiency industry working at a time when in-home services are restricted or not advised for certain segments of the population such as the elderly or those with other health risks.
2. Enhanced rebates for all customers and a specific focus on those impacted economically by the COVID-19 crisis. For example, APS could offer larger incentives for high efficiency HVAC units purchases by low-income families or households that have seen their income significantly reduced as a result of the pandemic.
3. Explore opportunities to leverage attractive financing options for increased energy efficiency.

COVID-19 relief is especially critical as many APS ratepayers will soon be faced with triple-digit temperatures and air conditioning units will once again start running. In addition to the above, we support APS conducting broad and targeted communication to ratepayers about its energy efficiency programs and ways to save money. This is especially critical for residential customers struggling to pay their bills now and can help to put them on a stronger financial footing in the future.

Furthermore, we support special considerations for non-residential customer relief, particularly in a manner that can impact ratepayers as taxpayers and stimulate local economies.

1. Increased incentives for energy efficiency projects implemented by State and local governments - By investing in energy efficiency now, state and local governments can soon see financial savings on monthly electric bills and help offset decreased tax revenue. The savings will continue long after the pandemic is over.
2. Increased incentives for energy efficiency projects implemented by Schools - By investing in energy efficiency now, schools can soon see financial savings on monthly electric bills now and continue saving well into the future at a time when funding for school districts is likely to be diminished.
3. Small Businesses - Many small businesses do not have the financing to employ energy efficiency on their own. Enhanced programs that meet their needs will help small businesses recover much more quickly, while contributing to the local economy.

Finally, to expedite the review process, the Commission should defer a detailed analysis of cost-effectiveness until the filing of the 2020 Annual Report. Analyzing cost-effectiveness based on real program implementation data and not projected numbers is

best-practice in the majority jurisdictions across the Southwest and the country.

We appreciate the opportunity to work with the Commission and with APS to ensure that ratepayers receive temporary and emergency assistance in these challenging times, as well as the opportunity to realize the long-term benefits that energy efficiency offers.

We respectfully submit these comments on Friday, April 24th, 2020

Diane E. Brown

Executive Director
Arizona PIRG Education Fund

Steve Skodak

President and CEO
Building Performance Association

Justin Brant

Utilities Senior Associate
Southwest Energy Efficiency
Project (SWEEP)

Caryn Potter

Program Associate
Southwest Energy Efficiency Project
(SWEEP)